

S&P Global Eurozone Productivity PMI®

Downturn in eurozone productivity eases at end of 2022

Key findings:

Workforce efficiency deteriorates at slowest pace in five months

Eurozone manufacturers note sharper fall than services companies

Germany sees stronger contraction in aggregate productivity than France and Italy

December PMI data signalled sustained job creation in the eurozone private sector, parallel to a further contraction in business activity. Subsequently, productivity continued to decrease. Although the slowest since July 2022, the downturn was solid. The decline was broad-based across the manufacturing and service economies of France, Germany and Italy, with the worst performance registered at German goods producers.

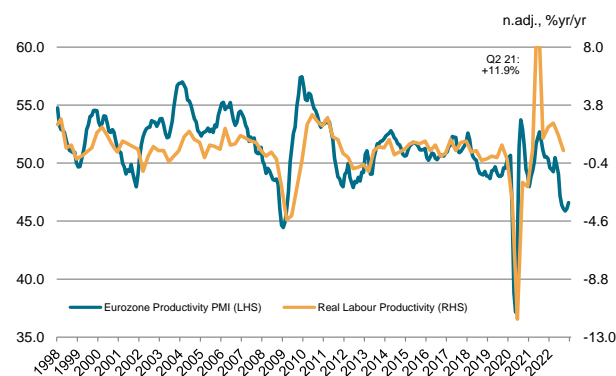
Posting 46.6 in December, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from S&P Global's national manufacturing and services PMI survey data – signalled an eighth successive deterioration in workforce efficiency. Rising from 46.1 in November, the latest reading indicated the weakest rate of contraction in five months but one that was among the sharpest since data became available in 1998.

Eurozone goods producers noted a sharper decline in productivity than service providers, a trend that has been apparent since the current broad-based sequence of downturn began last July. That said, rates of contraction softened to the least marked in five months in both cases. PMI data for December showed modest increases in jobs at manufacturers and services firms. A moderate fall in output among the former compared with a fractional reduction at the latter.

At the composite level, there were slower contractions in productivity across France, Germany and Italy. The sharpest drop was registered in Germany and the weakest in Italy.

Aggregate German productivity fell at the slowest pace in six months at the end of the year, albeit one that was sharp and more pronounced than seen on average over 2022. December saw a moderate uptick in employment and the weakest decline in production for six months.

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Sources: S&P Global, Eurostat.
Data were collected 05-20 December

German goods producers recorded the weakest deterioration in workforce efficiency since July 2022, albeit one that was substantial and among the steepest since the series started in 1998. The fall was also considerably faster than those seen in the manufacturing economies of France and Italy.

In the German service sector, the fall in productivity was moderate and the slowest in the current six-month period of contraction. Also, quicker declines were noted in the respective sectors of France and Italy.

Italy recorded the weakest drop in private sector productivity out of the three nations for which data are published. Although solid, the rate of contraction was the slowest in five months. PMI data for December showed a combination of slower job creation and only marginal decline in business activity.

Across Italy's manufacturing industry, workforce efficiency worsened for the eighth month in a row. Moreover, the reduction was marked and the quickest since July. Service providers, on the other hand, noted the slowest contraction in five months amid a mixture of softer job creation and a broad stabilisation in business activity.

Private sector productivity in France continued to fall in December, taking the current sequence of contraction to six months. The rate of reduction eased from November, but was nevertheless the second-quickest in just under two years.

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French manufacturers signalled an additional decline in productivity, thereby stretching the current period of contraction to 17 months. However, the pace of reduction was moderate and the slowest since April 2022. Production fell further in December, while jobs were shed for the first time since the start of 2021.

Services firms in France registered a sixth consecutive monthly fall in productivity. The downturn was solid and broadly in line with that seen in November. Here job creation was sustained, and there were back-to-back declines in business activity at the end of the year.

Looking at the final quarter of 2022, trends for aggregate productivity worsened in France and Italy relative to the third quarter, with Germany seeing a slower decline. Across these three nations, contractions in manufacturing moderated. As for services, only Germany noted a softer drop, with rates of reduction accelerating elsewhere.

Productivity PMI Indices: December 2022

	Total	Manufacturing	Services
France	46.8	47.6	46.7
Germany	45.8	42.2	47.6
Italy	47.2	46.4	47.5
EZ	46.6	44.4	47.4

Productivity PMI Indices: Q4 2022

	Total	Manufacturing	Services
France	47.0	46.9	47.0
Germany	45.0	41.8	46.6
Italy	46.5	46.5	46.5
EZ	46.2	44.2	46.9

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Note to Editors

S&P Global's Eurozone Productivity PMI indices are derived from data collected from S&P Global's panels of companies that participate in the Purchasing Managers' Index (PMI) surveys of business conditions across the euro area. The panels are designed to accurately reflect the true industrial, geographical and company size structure of the eurozone manufacturing and service economies.

S&P Global analyses the output and employment data for each company to produce a single-figure measure of the rate of change of each sector's productivity. This information is weighted together according to the individual country's contribution to the gross value added of that sector at the eurozone level. This figure is then seasonally adjusted. Sectors are weighted together to form the Eurozone Total Productivity PMI.

The *Purchasing Managers' Index*[®] (*PMI*[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI*[®] surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@ihsmarkit.com.

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